Minimum Wage Review Committee
Report

January 27, 2009

Honourable Mark Parent
Minister of Nova Scotia Labour and Workforce Development
5151 Terminal Road, 6th Floor
Halifax, Nova Scotia B3J 2T8

Dear Minister Parent:

On October 30, 2003, Government approved legislation to establish a Minimum Wage Review Committee, and we are the members of the Committee: Representing employees: Rick Clarke, President of the Nova Scotia Federation of Labour; and Tom Patterson, past Executive Director of the Nova Scotia Nurses' Union. Representing employers: Sandra Rodd, of Sun Life Financial; and Steven MacPherson, General Manager of Jack Astor's Restaurant.

The function of the Committee is to conduct an annual review of the minimum wage and submit a report containing the Committee's recommendations. Last year, you asked the Committee to look at a possible 3 year recommendation or formula for determining the Minimum Wage, which would allow more predictability in setting budgets and projections for costs and income for the next several years.

In its report of January 2008, the Committee recommended a series of increases to the minimum wage to April 1, 2011. The implementation of these will mean that by October 2010 a full time employee earning minimum wage will be very close to the projected Low Income Cut Off (LICO) for a single person.

The Committee was pleased that government accepted these recommendations. We agreed to continue to meet and monitor economic indicators over the next three year period to ensure that modifications are recommended, if conditions change and alteration is considered necessary. As requested, we agreed to try to develop a recommendation as to whether a tip differential wage is warranted.

Again this year we have considered various indicators, including economic conditions and the current financial crisis; Statistics Canada data including the Consumer Price Index, Average Industrial Wage, Median Wage, LICO, a profile of minimum wage workers; labour trends in NS and other jurisdictions; the changing value of minimum wage; and other factors. We have concluded that there is no reason to alter our recommendations of last year. We continue to recommend that the minimum wage increase to $8.60 per hour effective April 1, 2009.

On the issue of instituting a tip differential minimum wage, the Committee was unable to reach consensus. The arguments pro and con are summarized in the attached report.

Given that the Committee's last report contained recommendations for the next several years (2008-2010), the Committee intends this report to be supplementary to our last report. As a result, it is intended to cover only those aspects of the January 2008 report that have been updated and to add new information that the Committee has collected, reviewed and considered in making this year's recommendations.

It has been a pleasure conducting this review for the Department of Labour and Workforce Development, and we look forward to your response.

Respectfully submitted by,

Rick Clarke

Steven MacPherson

Tom Patterson

Sandra Rodd

1. Background

In Nova Scotia, workers have their rights protected by the province's Labour Standards Code. The Code provides direction to employers and employees on a wide range of topics, including the minimum wage. Much of the Code applies to non unionized workers only, but the minimum wage applies to all workers.

In 2003, the Code was amended to establish a Minimum Wage Review Committee. The Committee is composed of equal numbers of employer and employee representatives appointed by the Minister. The Committee is required to conduct an annual review of the minimum wage and prepare a Report to the Minister containing the recommendations of the Committee. Thirty days after the Minister receives the Report it will be made public, and within 60 days of receiving the Report the Minister will publish a response.

Traditionally, the minimum wage rate has been set several months in advance, to ensure that businesses and employees have time to plan and budget for the proposed increases. The rate may be set for one year, or more or less, which allows the Minimum Wage Review Committee to be more responsive to emerging issues. The Committee's recommendations, all of which were accepted by government, are outlined below.

Committee report	Increase recommended	Monetary Increase	% increase	Effective Date
March 2005	$6.50 to $6.80	$0.30	4.6%	Oct 1, 2005
	$6.80 to $7.15	$0.35	5.2%	April 1, 2006
December 2006	$7.15 to $7.60	$0.45	6.3%	May 1, 2007
January 2008	$7.60 to $8.10	$0.50	6.5%	May 1, 2008
	$8.10 to $8.60	$0.50	6.2%	April 1, 2009
	$8.60 to $9.20	$0.60	6.9%	April 1, 2010
	$9.20 to $9.65	$0.45	4.8%	October 1, 2010

If the increases continue as established by government's acceptance of our last report, by the end of 2010, the minimum wage of $9.65 will be very close to the LICO (Low Income Cutoff) line for a single person working full time in a community the size of Sydney. The rate for inexperienced workers will increase proportionately and will be 50 cents less than the minimum wage rate.

The Committee has reviewed its recommendations from January 2008 and recommends that government continue to implement these increases.

Background Considerations:

- In its January 2008 Report, the Committee noted a number of background considerations that were taken into account in its review. These background considerations were also taken into account during this year's review process.

2. Principles to Consider

The major principles to consider when setting the minimum wage are:

- maintaining fairness for the lowest paid members of our workforce;
- recognizing minimum wage and cost of living trends;
- preparing for labour shortages due to demographic trends; and
- balancing the issues relative to economic competitiveness for industry.

3. Purpose of Minimum Wage and Its Impact on Poverty

The purpose of minimum wage legislation is to guarantee a minimum standard of pay. Traditionally, minimum wage legislation forms part of the response to the problem of low pay, and was developed to protect the most vulnerable workers.

In 2007, approximately 36,400 employees received wages near the minimum wage in Nova Scotia. This figure includes those working near the minimum wage (below $8.00 per hour). This represents about 9.3% of employees paid by the hour in Nova Scotia, which in 2007 included 390,500 full and part time workers. In 2006, those earning less than $8.00 per hour totaled 11.97% of the workforce.

The number of employees working for minimum wage has increased in recent years.

As important as a minimum wage increase is for those who are paid at the lowest level, an increase is important to many more working Nova Scotians because the minimum wage acts as a benchmark wage. Employers who pay lower wages tend to measure their pay scales against the minimum wage. As minimum wages rise, so do other wage rates. Thus, in 2007, in addition to 36,400 earners under $8.00 per hour, an additional 47,600 employees worked for wages between $8 and $9.99 per hour. In total, the 22% of employees who earn between the minimum wage and $9.99 per hour may be impacted by a minimum wage increase. (However, as discussed below, economic and demographic pressures are creating upward pressure on entry level wages in Nova Scotia.)

Committee members agree that minimum wage alone cannot fix the problems of the working poor. The cost of necessities and utilities, tax on these items, an increase in precarious employment (casual, part-time, self-employment), lack of well paid jobs, and the high cost of post-secondary education contribute to the concerns of the working poor. In addition to minimum wage, other strategies can help alleviate poverty: increases in the basic personal income tax exemption to put more money in the pockets of low income earners; education subsidies; affordable transportation, housing and child care.

While minimum wage alone cannot effectively address the problem of poverty, it is one tool, and the only tool within the Committee's mandate. As the Committee has noted previously, a committed and multi-focused approach is required to effectively combat poverty, similar to the approach taken by government with respect to deficit and debt reduction. The Committee is happy that the province is developing a Poverty Reduction Strategy.

4. Minimum wage increases across the country

The minimum wage is a significant issue in Nova Scotia because many workers are employed at minimum wage or at rates very close to minimum wage. Many are in the part time work category, and are predominantly women. When recommending the minimum wage rate, the Committee considers minimum wage rates across the country and cost of living trends within Nova Scotia.

The chart below shows the current minimum wage and projected increases across Canada. Saskatchewan, Ontario and Newfoundland have moved to a three year projection of minimum wage rates, and Alberta and Yukon will adjust their minimum wage to a statistical indicator each year.

	2007	2008	2009	2010
Alta	$ 8.00 Sept 1, 2007	$8.40	Indexed to the average weekly wage	
BC	$8.00	$8.00		
Man	$8.00	$8.50		
NB	$7.25 July 1, 2007	$7.75		
NL	$7.50 Oct 1, 2007	$8.00	$9.00 by April 2009	$10.00 by July 2010
NWT	$8.25	$8.25		
NS	$7.60 May 1, 2007	$8.10 April 1, 2008	$8.60 April 1, 2009	$9.65 by October 1, 2010
Nunavut	$8.50 May 1, 2003	$10.00		
Ont	$8.00	$8.75 (Mar 31)	$9.50	$10.25
PEI	$7.50 April 1, 2007	$8.00		
Que	$8.00 May 1, 2007	$8.50 (May 1)	$9.00 (May 1)	
Sask	$7.95 May 1, 2007	$8.60	$9.25	Bring Min Wage to LICO, beginning in May 2010 indexed to CPI.
Yukon	$8.37 May 1, 2007	$8.58	Indexed to CPI annually	
Average	$7.91	$8.39		

Newfoundland will raise the minimum wage from $8.00 to $9.00 effective April 1, 2009. New Brunswick and Prince Edward Island are considering increases. Nova Scotia's minimum wage has historically kept pace with Prince Edward Island and has been slightly ahead of New Brunswick and Newfoundland.

5. Minimum wage in a changing economy - Outlook for 2016

Driving force	Impact on minimum wage workers	Impact on wages
Aging & declining workforce	Lower supply	Up
Pensions replace wages	Increased demand for services	Up
Low education retire	Lower supply	Up
Female workers stabilize	Lower supply	Up
Productivity improvements	Machines replace workers	Up
Need for increased skills	Better jobs available	Up

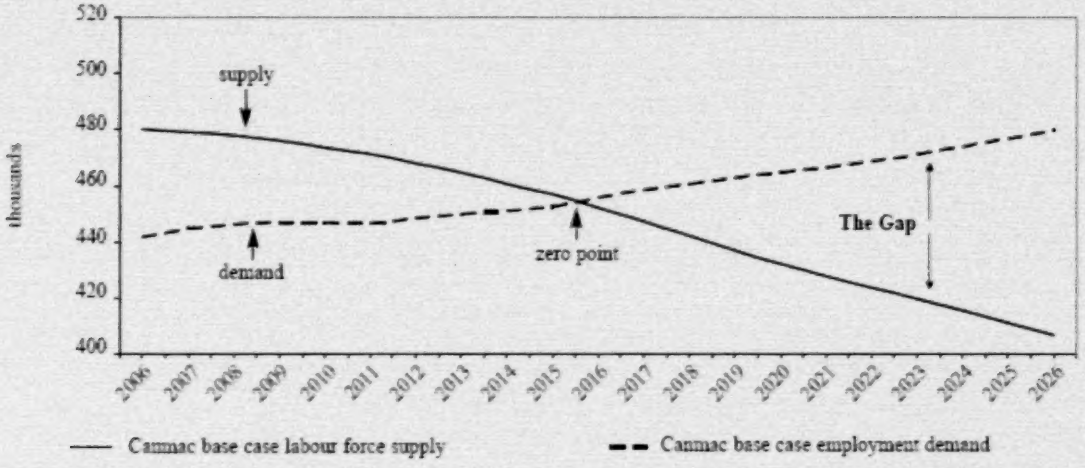
Source: Nova Scotia Department of Economic Development, August 23, 2007.

The above chart looks forward at the changing demographics and indicators that will continue to impact on wages as 2016 approaches.

The graph below on Labour Supply and Demand looks forward at the changing demographics and indicators that will continue to impact on wages as 2016 approaches. It looks at our changing workforce and the coming labour shortage.

If the current financial situation results in a recession in Nova Scotia, this will slightly delay the full impact of the above dynamics, but will not alter them fundamentally.

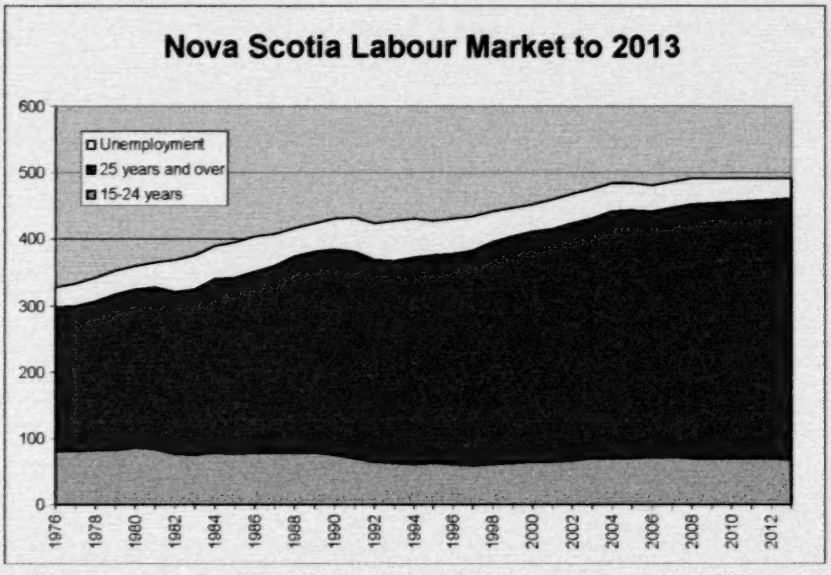
Figure 2: ***Labour Supply and Demand Projections, Nova Scotia, 2006–26***



Source: Canmac Economics Ltd. model.

Source: Knowledge Economy Report Card Summit, November 17, 2006 presentation by Dr. James McNiven, Professor, Dalhousie University.

The graph below shows that employment is projected to continue to grow in Nova Scotia, and unemployment to decline.



Source: Statistics Canada – Labour Force Survey

6. Consumer Price Index

CPI for NS By Year	% Change
2000	3.5%
2001	1.8%
2002	3%
2003	3.4%
2004	1.8%
2005	2.8 %
2006	2.0%
2007	1.9%
2008 (Nov)	1.3%

The increase in 2008 has largely been driven by increases in the prices of food and energy with energy prices dropping in recent months. Excluding energy the rate would be 2%. The Atlantic Provinces Economic Council predicts an overall CPI of 3% for 2008.

7. Low Income Cut Off Levels

A person in low income is someone whose family income falls below Statistics Canada's low income cut-offs (LICOs). The LICO lines are calculated in relation to the expenditure of an average family on the essentials of food, clothing and shelter. If a family spends 20 percentage points more of its total income on these essentials than the average family, then it falls beneath the LICO line. LICOs are calculated and reported for families of different sizes, living in communities of different sizes ranging from rural to large urban areas. LICO lines are set nationally and do not vary province by province.

Although LICO lines are not "poverty lines" per se, they are the most frequently used metrics when discussing the measurement of poverty and low income in Canada

2007 low income cut-offs for one person (1992 base, before tax)

Size of Community	LICO line	Wage to meet LICO
Rural	$14,914	$7.18
Less than 30,000	$16,968	$8.16
30,000 - 99,999	$18,544	$8.92
100,000 - 499,999	$18,659	$8.97
500,000 and over -	$21,666	$10.41

Notes

1. The wage figure is based on an assumption of 52 weeks work at 40 hours per week.

The committee recommends that government continue to use LICO as a target for the 2010/11 minimum wage rate and as a basis for setting minimum wages in future.

8. Ratio of minimum wage to median wage

One metric that is used to measure the minimum wage is its relationship to the median wage. Although the Committee has decided to use LICO, rather than a ratio to the median wage, in setting a "formula" for recommended increases, consideration of this ratio provides useful background and some comparison between differing economies. Canadian minimum wages are at the low end of the international spectrum for developed economies as a ratio to the median wage.

As shown in the table below, in Nova Scotia the median wage in October 2008 was $15.72 per hour (Stats Can). With the minimum wage of $8.10, the ratio was 51.5%, an increase from the ratio of 49% in October 2007. This shows that the minimum wage is moving in a positive direction as a percentage of the median wage.

Canadian figures for the ratio range from a high of 53.3% in PEI to a low of 39.9% in Alberta (where the median wage is the highest in Canada). However, a very low percentage of Albertan employees work at minimum wage so the impact of this ratio is much less than in Nova Scotia. The range of ratios is narrower if, rather than considering the statutory minimum wage; we look at the "market minimum wage", established by taking the median wage paid to entry level workers in aged 15 to 24 in sales and service occupations. In Nova Scotia in June 2007, shortly after the May 2007 minimum wage increase, the market minimum was $7.60, but this had increased to $8.00 by October 2007. In 2008, the market minimum wage was $8.50 per hour in by October 2008.

Province	Minimum Wage as of December 1, 2008	Market* Minimum Wage October 2008	Median Wage October 2008	Percentage of minimum wage to median wage (and market wage to median wage)	2007 ratios
Nova Scotia	$8.10	$8.50	$15.72	51.5% (54.1%)	49.0% (51.6%)
Alberta	$8.40	$11.00	$21.04	39.9% (52.3%)	40.0% (51.3%)
BC	$8.00	$10.00	$20.00	40.0% (50.0%)	42.1% (50.0%)
Manitoba	$8.50	$9.00	$17.00	50.0% (52.9%)	48.8% (52.4%)
New Brunswick	$7.75	$8.10	$15.60	49.7% (51.9%)	48.3% (50.0%)
Newfoundland	$8.00	$8.50	$16.08	49.8% (52.9%)	48.4% (48.4%)

Ontario	$8.00	$9.00	$19.71	44.4% (45.7%)	42.1% (44.7%)
Quebec	$8.50	$9.00	$18.00	47.2% (50.0%)	46.2% (49.1%)
PEI	$8.00	$8.20	$15.00	53.3% (54.7%)	54.5% (57.5%)
Saskatchewan	$8.60	$9.50	$18.46	46.6% (51.5%)	44.2% (47.2%)

Labour market dynamics have kept entry level wages above the minimum wage, as shown in the graph below. The graph also shows that Nova Scotia remains on target to reach the LICO by 2010 as planned.

9. Balancing issues relative to economic competitiveness

The purpose of exploring economic competitiveness is to determine, from a Labour Standards perspective, the cost of doing business in Nova Scotia. This means statutory payroll costs which include: vacation pay, statutory holidays, Employment Insurance, Canada Pension Plan, Workers' Compensation, and other miscellaneous categories, such as payroll taxes.

All jurisdictions, except Quebec, pay the same rates for Canada Pension Plan and Employment Insurance. Canada Pension Plan represents 4.95% of payroll and Employment Insurance is 2.77%. Vacation pay is 4%. Workers' Compensation

premiums are higher than the national average, and are at $2.65 per $100 of assessment. As noted above, Nova Scotia has the lowest number of statutory holidays in Canada. The Labour Standards Code presently provides 5 paid holidays. The national average is 7.85 paid holidays. Estimations of the cost of a public holiday range from 0.4% to 0.5% of payroll. Thus, Nova Scotian employees receive significantly less benefit from statutory holidays than most Canadian employees.

The Canadian Restaurant and Food Services Association website estimates that payroll taxes are about 40% of all taxes paid by food service operators. Canada Business (Gov of Canada website) estimates that staff benefits add between 10-30% above wages/salaries depending on benefits offered.

The table below shows a comparison of profitability for Canadian and Nova Scotian businesses that employ workers at or near minimum wage, for 2006, the most recent data available. Nova Scotian businesses are very close to the national average in profitability.

Operating Statistics for Industries that hire Minimum Wage Workers

Industry	Canada	Nova Scotia
	Operating Profit Margin	
	2006 (5 year avg)	2006 (5 year avg)
Accommodation Services	17.6% (14.1%)	14.4% (14.4%)
Food Service and Drinking Places	4.3% (4.0%)	4.5% (4.7%)
Personal Care Services	11.2% (9.8%)	8.5% (7.0%)
	Gross Margin	
	2006 (5 year avg)	2006 (5 year avg)
Retail Trade	26.7% (24.5%)	26.4% (24.1%)

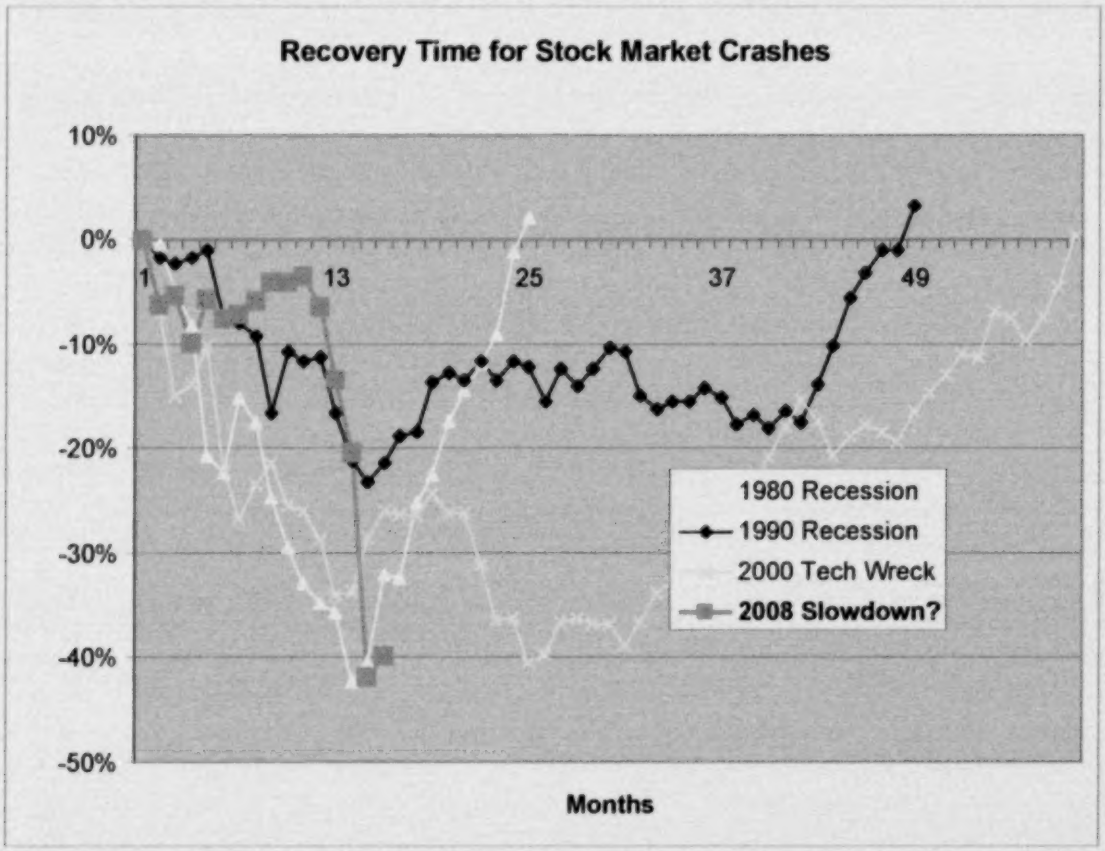
Source: Statistics Canada

10. The Current Economic Situation

The Nova Scotia economy was strong in the first half of 2008. In later 2008, the effects of the global financial crisis and the fall of natural gas prices led to a slowdown of growth. The Atlantic Provinces Economic Council projects that Nova Scotia's real GDP growth will be 1.0% in 2008, helped by higher major project investment. It predicts that further increases in major project investment will moderate a slowdown to 0.8% in 2009,

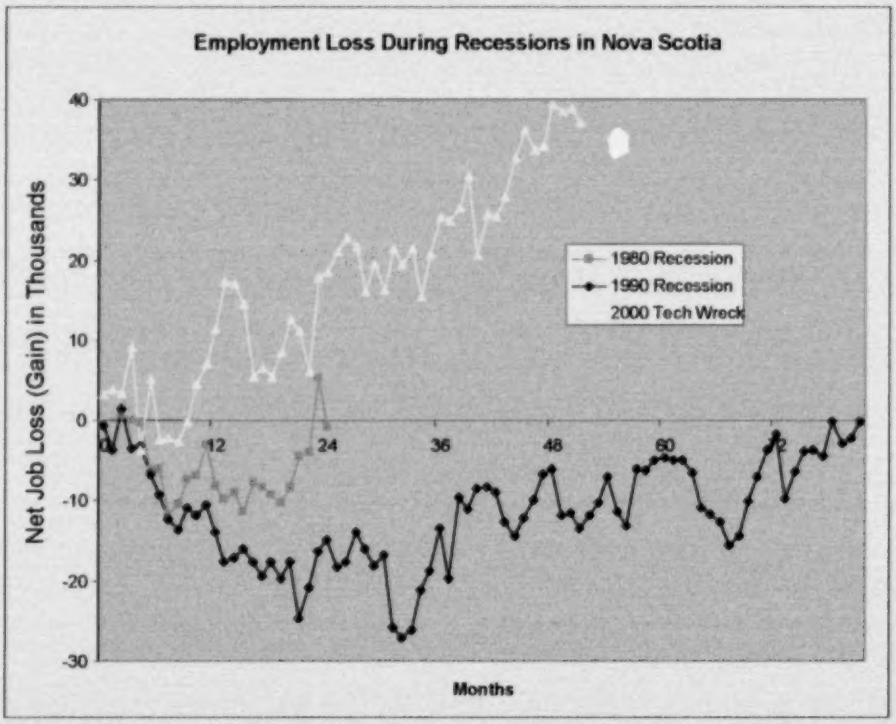
as consumer and housing market activity slows and export markets soften further. However most private sector forecasters do not see a recession in Nova Scotia in 2009, with real GDP growth ranging from minus 0.5 per cent to plus 1.2 per cent with an average rate of 0.4 per cent.

The Department of Economic and Rural Development has provided the following analysis of previous financial crashes and recessions, to assist the Committee in determining whether the current climate suggests that there should be changes to the current schedule of minimum wage increases.



While many consider the stock market as an early warning system for recessions, not all stock market crashes are followed by recession. In 2001 the stock market correction was followed by robust employment growth in Nova Scotia. The stock market corrections of 1980 and 1990 did lead to recessions in Canada. Nova Scotia however

only experienced recessionary conditions (two quarters of negative GDP growth) in 1990. The stock market crash of 2000 did not lead to a recession in Canada or Nova Scotia. It is too early to forecast if the 2008 crash will result in a recession in Nova Scotia.



During economic slowdowns and recessions employment losses occur and the overall employment level declines. The graph above shows that in the 1980 recession in Canada (slowdown in Nova Scotia) employment declined by 10,000 jobs and quickly recovered within 24 months. The 1990 recession hit Nova Scotia hard with over 25,000 jobs lost. Employment did not recover for over 6 years. The slowdown in 2000 saw employment gains in Nova Scotia.

Economic Conditions

	1980	1990	2008
Inflation Rate	9.5%	6.0%	3.4%
Surplus or Deficit	-5.1% of GDP	-1.0% of GDP	+0.3% of GDP
Saving Rate	+13.2%	+9.7%	-3.4%
Real Housing Prices Over previous 5 years	-8.0%	+59.4%	+28.2%
Interest Rates	15.0%	13.5%	6.0%
Working Age Growth Over previous 5 years	6.2%	3.3%	2.0%
Labour Productivity Over previous 5 years	-5%	-5%	-2%

Source: Statistics Canada

The table above shows that before each period Nova Scotia was in different economic shape. As a result its ability to weather a slowdown differed as well.

In 1980 inflation exceeded 9%, the provincial government was running a large deficit, individuals had high saving rates, housing prices were not keeping up with inflation and interest rates were extremely high. The baby boom was fueling high working age population growth, and labour productivity was in decline. We were not in good economic shape to weather a recession but the impact on Nova Scotia was mild.

In 1990 inflation was lower, government continued to run a deficit, the saving rate was lower and real housing prices had increased almost 60% in the previous five years. Interest rates were still high, working age population growth slowed and labour productivity was lower. This recession hit Nova Scotia very hard.

Fast forward to today. Inflation is low and getting lower, the government has a surplus; the personal saving rate is disturbingly low. Interest rates are very low. The working age population growth is at all time lows and is forecast to be negative. Productivity growth is better. Nova Scotia is in better economic condition today than in 1980 and 1990.

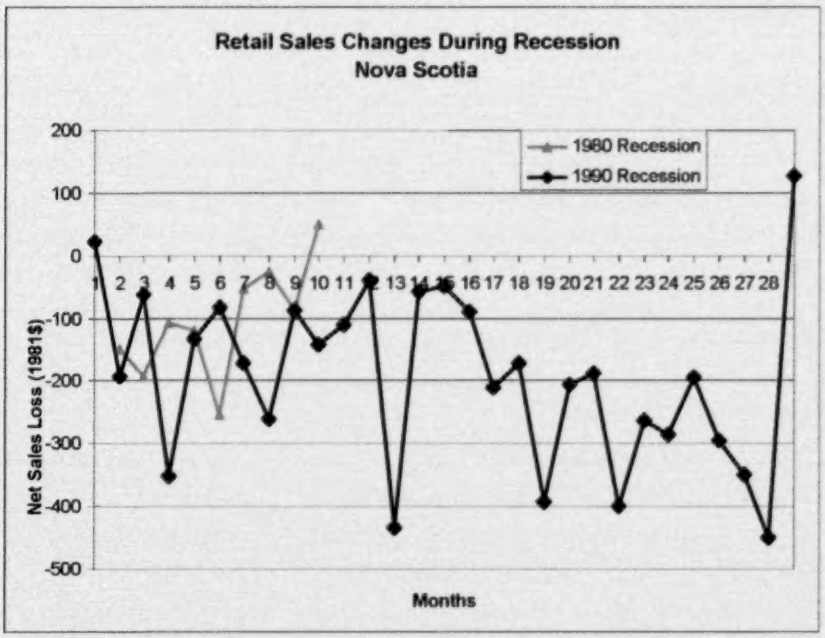
Impact on Minimum Wage Workers and on retail sales

Minimum wage workers are impacted by recessions as discretionary spending decreases. In the 1980 recession retail sales declined 3.6%, resulting in a decline in employment in minimum wage industries of 13%. 40% of the job losses were in the 15

to 24 age group. The slowdown was short lived, with retail sales returning to previous levels in less than a year.

The 1990 recession saw a dramatic decrease in retail sales, down 12.6%. Employment in minimum wage industries declined only 7%, with 36% of these job losses going to youth aged 15 to 24. Sales and service occupations, where the majority of minimum wage workers are found, saw employment decline 5%. The retail slowdown was protracted as sales did not recover for almost two and a half years.

To October 2008, retail sales in Nova Scotia had not decreased compared to a year earlier.



Conclusion

Based on the above analysis, the Committee believes that it is not necessary to alter the current schedule of minimum wage increases. While the current economic environment is in flux, the long term economic and labour market dynamics that supported implementing the increases have not changed. If Nova Scotia does go into recession, it will be more important than ever that a reasonable minimum wage is in place.

11. Tip Differentials

As requested, the Committee has discussed whether Nova Scotia should implement a tip differential minimum wage for several years.

In two provinces, Ontario and Quebec, and in 37 American states, there has been a tip differential system for many years.

- In Ontario the differential applies to bartenders and servers who regularly serve alcohol directly to customers in licensed establishments. The differential is currently $1.15, that is, the minimum wage is $1.15 less for these employees. The differential will increase to $1.25 in 2009 and $1.35 in 2010.
- In Quebec a wider range of tipped employees are covered by the tip differential wage, including take-out restaurant delivery persons, but not fast food restaurant staff. The differential is $0.75. In Quebec, unlike any other province, tip income is included in calculating vacation and holiday pay, and Employment Insurance and Quebec Pension Plan contributions.

In all other Canadian jurisdictions, an employer must pay employees the applicable minimum wage rate without taking tips into account.

In Nova Scotia's Labour Standards Code, tips are specifically excluded from the definition of wages. It is our understanding that many restaurants have tip sharing schemes where non tipped employees receive a share of tips. We believe that tips are smaller for "back of the house" employees. There is no Nova Scotian legislation mandating how tips are handled or regulating tip sharing schemes.

Earnings for NS Food and Beverage Servers - Average Earnings with Reported Tips

Labour Force Survey (chefs, cooks, food and beverage service) N.S.

Average Hourly Earnings	2001	2002	2003	2004	2005	2006
Total (Both)	8.91	8.53	8.93	9.38	9.97	9.68
Full-time (30 hrs or more)	9.38	8.98	9.25	9.64	10.68	10.19
Part-time (less than 30 hrs)	7.65	7.54	8.23	8.87	8.64	8.74

Source: StatsCan Table 282-0070

As the chart above indicates, average earnings for tipped restaurant employees trend well above the minimum wage, if tips are included.

The Canadian Restaurant and Foodservices Association (CRFA), in a submission to government that was provided to the Committee, proposes that tip differentials be put in place as a lower minimum wage for alcohol servers in licensed establishments. It proposes holding the minimum wage for these employees to $8.10 when the general minimum wage increases on April 1, 2009, resulting in a $0.50 differential. It proposes increasing this differential to $1.10 when the general minimum wage increases to $9.20 in April 2010, and maintaining the $1.10 differential for the October 2010 increase. CRFA proposes a one year pilot of the differential.

The Restaurant Association of Nova Scotia (RANS), in a submission to government that was provided to the Committee, proposes a differential applying to all tipped restaurant employees. It also suggests rolling back the minimum wage to $7.50 for tipped employees.

Labour is a significant cost factor for the food service industry, accounting for approximately one-third of revenue. Profit margins for full service restaurants decreased 0.1% to 2.8% in 2006. Profit margins for fast food restaurants have increased to 6.3%, up from 3.9% in 2005.

Foodservice establishments have decreased from 1,744 in 1999 to 1,551 in 2006, and increased slightly to 1,574 in 2007. CRFA predicts that the planned minimum wage increases to October 2010 will cost the average foodservice establishment $25,430 and the sector overall $40 million

Both RANS and CRFA say that a tip differential would help to moderate the negative impacts of future minimum wage increases, and allow employers to pay non-tipped employees more. They say that not being able to pay "the back of the house" staff – chefs, cooks, kitchen helpers etc. – adequately, creates significant retention problems. They say that a tip differential would allow employers to invest in employees and facilities and improve their profit margins.

In addition, the Committee discussed whether minimum wages, including a tip differential, should be considered in the context of overall employment standards. It is difficult to consider minimum wages in a vacuum as it may impact on other employment standards. For example, Nova Scotia has fewer holidays than all other provinces. Ontario and Quebec, the two provinces that have implemented tip differentials, have generally higher employment standards than Nova Scotia.

The Committee has struggled with this issue for several years, but has been unable to reach a consensus.

Arguments in favor of a tip differential include:

- Tipped employees who serve alcohol are not really minimum wage employees, since they receive significant income in tips.

- For employees in high end establishments, tip income often far exceeds income from wages.
- The restaurant employer has invested in the facility, staff training, advertising, etc. which results in good customer experiences and good tips, and it is fair that the employer receives some of the benefit in the form of a tip differential wage. Although all employers must invest in their business, restaurants and bars are relatively unique in that employees receive very significant tip income.
- The "back of the house" employees make a very significant contribution to the customer experience which generates the tip, and a tip differential wage would allow the employer to pay higher wages to these employees.
- The foodservice sector is under significant financial strain. Increasing menu prices is not feasible in the current economic climate. Given the significant increases in minimum wages, the sector needs a tip differential to mitigate the impact of these pressures. Implementing a $0.50 differential for 2009/10 would save full service restaurants an average of $6,544 that year.
- Since the majority of tipped alcohol servers are young, often students, the impact of a lower wage on future Employment Insurance and Canada Pension entitlements is very small.
- Protections could be put in place to ensure that no employee makes less than the general minimum wage when tips are factored in.
- Considering a tip differential is well within the mandate of the Committee.

Arguments against a tip differential include:

- Since tips are not wages and are not paid by the employer, it is not fair to allow the employer to pay less because employees receive tips. Also, since tips are not wages, it is beyond the mandate of the Committee to consider this. If the Committee is to consider issues beyond the minimum wage itself, like tip differential, it needs to have the mandate to consider and make recommendations about other areas of employment standards.
- Relatedly, minimum wages should be considered in the context of overall employment standards. For example, Nova Scotia has fewer holidays than all other provinces. Ontario and Quebec, the two provinces that have implemented tip differentials, have generally higher employment standards than Nova Scotia.
- While employees in high end and/or busy establishments may have significant tip income, many employees who serve some alcohol may not have significant tip income, especially in rural areas.
- Many sectors of the economy are under financial strain, but this does not mean that minimum standards should be lowered. Creating a tip differential could create a "slippery slope" as other sectors press for special treatment.
- All employers invest in their businesses. The fact that restaurants do so does not justify treating their tipped employees differently.
- It is not practical to track employee tips to determine if a tip differential system results in some employees making less than minimum wage.

- A tip differential would be less objectionable if there was a regime in place like in Quebec, where tip income attracts various benefits and entitlements. Recommending such changes in Nova Scotia goes far beyond the mandate of the Committee however.
- In other provinces, where there is no tip differential and where minimum wages are as high as or higher than in Nova Scotia, the restaurant sector continues to be profitable.
- We don't have enough information to fully understand the impact of a tip differential on employees, or the labour market, in the long term. A tip differential could make it more difficult for restaurant employers to attract employees.
- The Committee has heard, through submissions made to government, from lobby groups representing the industry, but has not heard from employees who would be impacted by a tip differential. It would be unfair to recommend a tip differential without hearing from them.

The Committee is evenly split on the issue and cannot come to a consensus.

12. Recommendations:

1. **We recommend that the government continue to implement the approved increases - $8.60 starting April 1, 2009; $9.20 and $9.65 starting April 1, 2010 and October 1, 2010 respectively, with the rate for inexperienced workers remaining $0.50 less than the regular rate.**

2. **We recommend that this schedule be reviewed yearly to ensure it remains relevant to changing conditions.**

3. **Once the LICO threshold is reached in September 2010, we recommend that the minimum wage be indexed to CPI and periodically re-indexed to the LICO (the LICO and CPI increase at very similar rates).**

4. **We are evenly split on the issue of a tip differential, and cannot come to a consensus.**